The latest economic climate survey indicates expectations of improvement in the Latin America economy.

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THE ECONOMIC CLIMATE INDICATOR (ECI) for Latin America recorded an improvement in October after having worsened between April and August. The two indices that constitute the economic climate — the current situation and the expectations indexes — in October were back in the favorable zone above 100. The improvement was more pronounced for South America. The increase in ECI of 17% was mainly due to improved expectations, which had a positive variation of 26%.

The economic climate improved in Bolivia, Chile, Colombia, and Paraguay. In Peru and Uruguay it declined, but the winds remain favorable. In other countries there was an improvement in the indicator, but the winds continued to be unfavorable for Argentina and Venezuela and held steady for Mexico and Ecuador, which are in the neutral zone (100).

Brazil's results track the indicators for South America. There was marked improvement in expectations (from 118 points to 146 points) and a moderate improvement (from 90 points to 98 points) in assessing the current situation, though it remained slightly negative. The ECI for Brazil thus went up from 104 points to 122 points, a 17% increase. The experts surveyed considered the current situation of investment to be unfavorable and consumption favorable, but they expect improvements in both components by March 2013. However, Brazil's poor growth of 0.6% in the third quarter could lead to a downward revision of expectations in the next Ifo survey in January 2013.

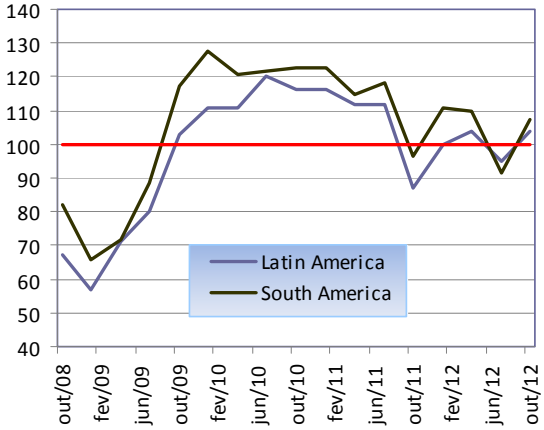
Lack of competitiveness and a shortage of skilled labor are the main obstacles to growth in Latin American countries. (A similar result was observed in the Ifo survey last April.) That is also true for Brazil, although the weight given to the issue of competitiveness has decreased because a depreciation of the exchange rate has improved competitiveness: Between April and October, the real effective exchange rate declined by 5% against the dollar.

Inflation is a very relevant issue for Argentina (24.5% projected for 2012 by the experts consulted), Uruguay (8.1%), and Venezuela (23.9%). Unlike what has happened in European countries and the United States, unemployment is considered highly important in Colombia and Mexico.

The Economic Climate Indicator is a quarterly survey conducted by the Getulio Vargas Foundation and the German Ifo Institute for Economic Research—Ifo World Economic Survey (WES). The ECI is an average of the current situation and expectations for the next six months based on experts' answer to questions on key macroeconomic data (consumption, investment, inflation, trade balance, interest and exchange rates). The indicators are weighted by the share of trade of each country in the region. http://portalibre.fgv.br/main.jsp?lumChannelId=402880811D8E34B9011D92BBCC431F08

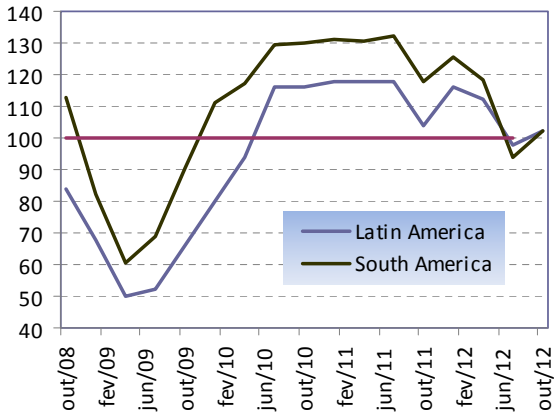
Economic climate indicator

(Above 100 favorable)



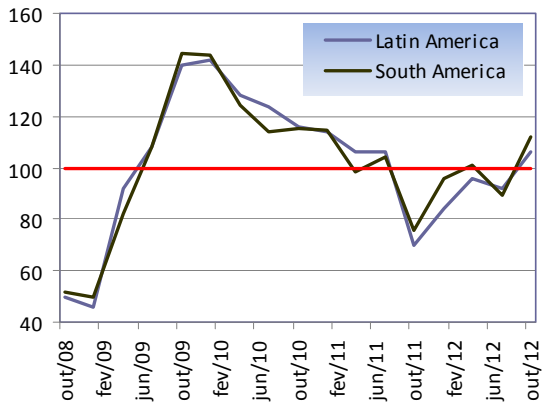
Current situation indicator

(Above 100 favorable)



Expectation indicator

(Above 100 favorable)



Source: Ifo, World Economic Survey (WES)